

Establishing a Guaranteed Revenue Stream for Spanish & Mexican Community Land Grants

Creating a Community Land Grant-Merced fund to establish a guaranteed revenue stream for Spanish and Mexican community land grants would provide needed resources for: operation and maintenance costs associated with managing land grant-merced assets; successfully planning and completing capital outlay projects; hiring of land grant-merced personnel; complying with statutory mandates such as financial reporting requirements; and, purchasing former common lands. Also a Fund could serve as a funding source for the New Mexico Land Grant Council.

Justification

Spanish and Mexico community land grants-mercedes are an integral part of New Mexico's unique history and therefore those still in existence must be protected as a cultural assets to our State. Community land grants have a long history of service and commitment to our State and its residents. Consider how many community land grants-mercedes have donated common lands for the construction of public schools, public roads, public utilities, community drinking water and waste water systems, community centers, churches and cemeteries. One should also consider that with the fact that community land grants have continually paid property taxes to the State since the 1920's and that millions of acres of former common lands have over the years been seized and auctioned off for failure (of these poor rural communities) to pay those taxes.

Proposal

Establish a trust fund from which only the earnings can be utilized and distributed. The funds' principal would remain untouched and a percentage (such as 10%) of the earnings would be reinvested into the Fund on an annual basis to maintain the value of the principal. pace with inflation. The Fund could be fully capitalized over a period of several years so as to ensure that the principal balance is adequate to generate enough earnings to meet the intended purposes. The Fund could be managed by an appropriate State entity that is already established to manage state assets, such as the Office of the State Treasurer. A small percentage of the earnings (not to exceed a certain amount) could be dedicated to covering the costs associated with managing the Fund investments and the distribution of earnings. The remainder of the earnings available for distribution would then be divided into funding the Land Grant Council and an equal distribution among eligible community land grants (those that are political sub-divisions of the state). The percentage that would go toward funding the Council could be capped, for example 30% of the total available earnings, so that a significant portion (at least 50%) would be available for equal distribution among eligible community land grants.

Capitalizing the Fund

The fund could be capitalized through direct legislative appropriations over several years. The fund also could allow for investment from other public sources such as Federal appropriations and private donations. New Mexico Legislative sources could be either severance tax dollars or general fund appropriations. Since 2004 approximately \$8 million in legislative capital outlay to community land grants has been reverted due to the inability of community land grants to expend their appropriations. This inability was directly related to the lack of a guaranteed revenue stream in a variety of ways. If potential investments for capital outlay projects to community land grants were redirected for capitalizing a trust fund for a brief period, such as 5 years, once established, the Fund would provide community land grants the ability to receive and spend legislative capital outlay appropriations without reversions due to local budgetary constraints.

AS an example a \$20 million dollar annual investment into a Community Land Grant Fund after 5 years would result in a \$100 million principal balance that would initially generate (at 3% return on investment) \$3 million in earnings to be utilized as outlined above. Below are several tables providing detailed examples of how a Community Land Grant Trust Fund could operate.

Fund Overview

	Year 1	Year 2	Year 3	Year 4	Year 5
Fund Bal.	\$20,000,000	\$40,060,000	\$60,120,180	\$80,180,360	\$100,240,541
Earn @ 3%	\$600,000	\$1,201,800	\$1,803,605	\$2,405,410	\$3,007,216
Fund Mgmt @ 6%	\$36,000	\$72,108	\$108,216	\$144,324	\$180,432
Dist. to Land Grants	\$324,000 (54% of total earnings)	\$648,972 (54% of total earnings)	\$1,010,019 (56% of total earnings)	\$1,467,300 (61% of total earnings)	\$1,924,618 (64% of total earnings)
Funds to Land Grant Council	\$180,000 (30% of total earnings)	\$360,540 (30% of total earnings)	\$505,009 (28% of total earnings)	\$553,244 (23% of total earnings)	\$601,443 (20% of total earnings)
Reinvest ment into Fund @10%	\$60,000	\$120,180	\$180,360	\$240,541	\$300,721

Approximate Distributions to Community Land Grants

Distributions to Land Grants	Year 1	Year 2	Year 3	Year 4	Year 5
25 Land Grants	\$12,960	\$25,958	\$40,400	\$58,692	\$76,984
35 Land Grants	\$9,257	\$18,542	\$28,857	\$41,922	\$54,898
45 Land Grants	\$7,200	\$14,421	\$22,444	\$32,606	\$42,769

